

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**



**FILED**

6-08-16  
04:59 PM

Application of Southern California Edison  
Company (U338E) for Approval of Contracts  
Resulting From Its 2014 Energy Storage  
Request for Offers (ES RFO).

Application 15-12-003  
(Filed December 1, 2015)

Application of Pacific Gas and Electric  
Company for Approval of Agreements  
Resulting From Its 2014-2015 Energy Storage  
Solicitation and Related Cost Recovery.

Application 15-12-004  
(Filed December 1, 2015)

(U 39 E)

**REPLY BRIEF OF SAN DIEGO GAS & ELECTRIC COMPANY (U902 E)  
ON JOINT IOU PCIA PROTOCOL**

E. Gregory Barnes  
Attorney for:  
**SAN DIEGO GAS & ELECTRIC COMPANY**  
8330 Century Park Court, 2nd Floor  
San Diego, CA 92123  
Telephone: (858) 654-1583  
Facsimile: (619) 699-5027  
Email: [gbarnes@semprautilities.com](mailto:gbarnes@semprautilities.com)

June 8, 2016

## TABLE OF CONTENTS

<b>I.</b>	<b>INTRODUCTION – CERTAIN BRIEFS MISUNDERSTAND THE PCIA .....</b>	<b>2</b>
<b>II.</b>	<b>AREM / DACC MISCONSTRUE DECISION (“D.”) 14-10-045 .....</b>	<b>2</b>
<b>III.</b>	<b>TURN’s REFINEMENTS ARE NOT NECESSARY .....</b>	<b>3</b>
<b>IV.</b>	<b>CONCLUSION .....</b>	<b>4</b>

**BEFORE THE PUBLIC UTILITIES COMMISSION  
OF THE STATE OF CALIFORNIA**

Application of Southern California Edison Company (U338E) for Approval of Contracts Resulting From Its 2014 Energy Storage Request for Offers (ES RFO).

Application 15-12-003  
(Filed December 1, 2015)

Application of Pacific Gas and Electric Company for Approval of Agreements Resulting From Its 2014-2015 Energy Storage Solicitation and Related Cost Recovery.

Application 15-12-004  
(Filed December 1, 2015)

(U 39 E)

**REPLY BRIEF OF SAN DIEGO GAS & ELECTRIC COMPANY (U902 E)  
COMPANY ON JOINT IOU PCIA PROTOCOL**

Pursuant to the March 25, 2016 *Scoping Memo and Ruling of Assigned Commissioner and Administrative Law Judge* (“scoping memo”) issued in the above consolidated matters, San Diego Gas & Electric Company (“SDG&E”) submits this reply brief.<sup>1</sup> Specifically, SDG&E replies herein to certain contentions in the opening briefs of The Utility Reform Network (“TURN”), Alliance for Retail Energy Markets (“AReM”) and Direct Access Customer Coalition (“DACC”). Note that AReM and DACC filed a joint brief.<sup>2</sup>

---

<sup>1</sup> While the consolidated dockets concern the applications for approval of certain energy storage contracts of Pacific Gas & Electric Company (“PG&E”) and Southern California Edison Company (“SCE”), pursuant to the scoping memo (p. 6), “... SDG&E is made a party to these proceedings for purposes of the Joint IOU Protocol proposal for a PCIA [Power Charge Indifference Adjustment] methodology.” SDG&E’s opening brief was limited to adopting, and incorporating by reference, those portions of the PG&E and SCE opening briefs addressing the Joint PCIA Protocol. Pursuant to the scoping memo (pp. 5, 7), SDG&E jointly provided on May 2, 2016, with PG&E and SCE, comments on the three questions asked by the scoping memo regarding PCIA calculations. SDG&E also participated in the May 9, 2016 workshop held on PCIA issues pursuant to the scoping memo.

<sup>2</sup> In addition to the foregoing parties, as well as PG&E and SCE, opening briefs were submitted by Marin Clean Energy, Sonoma Clean Power Authority, the City of Lancaster, and the County of Los Angeles (collectively, the “CCA Parties”); Office of Ratepayer Advocates; and Shell Energy North America (“US”), L.P. Opening briefs are cited as follows: “[Party name(s)] brief at [page number(s)].”

## **I. INTRODUCTION – CERTAIN BRIEFS MISUNDERSTAND THE PCIA**

As a preliminary matter, certain comments lack perspective on the PCIA and its use by the Commission. The PCIA is designed as a simplified way to maintain bundled customer indifference when load departs for other suppliers.<sup>3</sup> It has a long history and has been addressed in Commission proceedings devoted solely to the PCIA concept. This proceeding does not revisit the premises of the PCIA, but aims to address application of the PCIA to storage technology. As discussed below, some parties' briefs propose departures from PCIA fundamentals, which are wrong on the merits, and inappropriate to assert in these dockets to the extent that they require modification of settled PCIA principles.

## **II. AREM / DACC MISCONSTRUE DECISION (“D.”) 14-10-045**

AREM / DACC err in their interpretation of D.14-10-045 (the “Decision”). They conflate the issue whether a specific contract requires PCIA treatment with the larger issue of the PCIA as it relates to energy storage. With respect to the Decision's burden of proof discussion, AREM/DACC erroneously conclude that “the IOUs failed to meet this burden or comply with these directives” and that “[t]he IOUs provided no showing demonstrating actual stranded costs arising their procurement of bundled storage.”<sup>4</sup> These statements miss the point.

The Decision's conclusion of law 31 states that “[i]t is reasonable that IOUs have the burden of proof to demonstrate circumstances that warrant PCIA treatment for specific proposed energy storage procured for bundled service” (emphasis added). Similarly, the body of the Decision states (at 47) that the “IOUs have the burden of proof to demonstrate circumstances that warrant PCIA treatment for specific proposed energy storage generation/market projects

---

<sup>3</sup> Public Utilities Code, §§ 365.2, 366.1(d)(1), 366.2(a)(4), 366.2(c)(7), 366.2, 366.2(d), 366.3; D.06-07-030; D.08-09-012; D.11-12-018.

<sup>4</sup> AREM/DACC brief at 7.

procured for bundled service.” In sum, AReM / DACC’s assertion that the Joint IOU Protocol does not meet the burden of proof is simply wrong. The Decision’s burden of proof discussion in the decision relates to the reasonableness of specific contracts, not with the PCIA’s applicability to energy storage generally.

### **III. TURN’S REFINEMENTS ARE NOT NECESSARY**

TURN (brief at 1-2) correctly points out that the AReM/DACC proposal should be rejected, and that the IOU protocol is preferable,<sup>5</sup> but suggests some refinements to the IOU position for estimating storage above market costs. As a preliminary matter, note that the PCIA is not designed to determine the above or below market costs of any one technology. The PCIA looks only at the utility’s portfolio in total. So, to the extent the portfolio consists of a mix of resources where some are above market and some are below, it is only the portfolio net market position that matters. It is not appropriate for TURN to suggest that the PCIA should determine technology-specific positions, especially where, as here, the suggestion is to single out a specific technology for special (*i.e.*, anomalous) treatment.

Even if this is not TURN’s intent, TURN suggests refining the IOU method by one of two approaches. The first alternative is to use production cost modeling to determine the likely storage operation. This refinement is not necessary since SDG&E already uses production cost modeling of its *entire portfolio*, including storage resources, to determine the PCIA calculations.<sup>6</sup> Such calculations already estimate the benefits (and thus customer savings) on an hourly basis from having storage charging when prices are low and discharge when prices are high. Thus, the

---

<sup>5</sup> “By attempting to forecast storage assets’ actual cash flows, the IOU Proposal allows the principle of ‘bundled customer indifference’ to be better reflected in computing the PCIA.” TURN brief at 2.

<sup>6</sup> TURN brief at 3.

current method uses the refinement that TURN (brief at 7) describes as “arguably the most ‘accurate’.”

SDG&E has been modeling storage this way in its ERRRA filing, which determines the PCIA amount, for years. SDG&E has 40 MW (2 – 20 MW units) of pumped hydro that perform in basically the same manner as much of the storage being proposed in this proceeding. This pumped hydro system has been approved by the Commission to count towards SDG&E’s energy storage procurement target. Furthermore, this resource has been in SDG&E’s resource portfolio and thus in its PCIA calculation, since 2012, and there has never been an issue as to whether the current PCIA methodology has properly accounted for its operation.

TURN’s other refinement (brief at 4) – “to use some measure of on-peak and off-peak prices to mimic storage asset dispatch and value in a simple, separate model” – should be rejected for the reasons described above as an effort to set apart a single technology from a portfolio-wide measure. Note that TURN also suggests its refinement would be hard to implement.

#### IV. CONCLUSION

SDG&E requests that the Commission approve the “Joint IOU Protocol” proposal for a PCIA methodology to determine the above-market cost of bundled service storage.

Respectfully submitted,

/s/ E. Gregory Barnes

E. Gregory Barnes

Attorney for:

**SAN DIEGO GAS & ELECTRIC COMPANY**

8330 Century Park Court, 2nd Floor

San Diego, CA 92123

Telephone: (858) 654-1583

Facsimile: (619) 699-5027

Email: gbarnes@semprautilities.com

June 8, 2016